Micro-Economic Monitor

Second Quarter, 2001

Micro-Economic Analysis Directorate, Industry & Science Policy Sector, Industry Canada.
This document is also available on the Internet at http://strategis.ic.gc.ca/sc_ecnmy/mera/engdoc/04.html

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Overview

The economy slows sharply in the second quarter of 2001...

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Real output edged up 0.4% (annual rate) in the second quarter, down from 2.0% in the previous quarter and well below the strong 4.4% growth overall for 2000.

- **Household demand weakened considerably in the second quarter. Consumer spending slowed to 1.1% after advancing solidly in the first quarter, while activity in the housing sector was little changed. On the positive side, business investment in machinery and equipment (M&E) rose for the first time in four quarters, though it remains down on a year-over-year basis.**

- **Despite a pick-up in the automotive sector, sharply-lower global demand for telecommunications equipment contributed to the third straight decline in real exports.**

...and expectations for a solid recovery have been pushed out to 2002

Recent data suggest that the U.S. slowdown will be more protracted than expected, and the economies of Europe and Japan are also weakening. On the domestic side, the slowdown has now affected household demand, despite the recent interest rate cuts engineered by the Bank of Canada. Consecutive job losses in July and August point to a weak third quarter, and the consensus forecast now calls for growth of 1.8% overall this year, compared to 3.4% last January.

Domestic Scene

Real Economic Activity

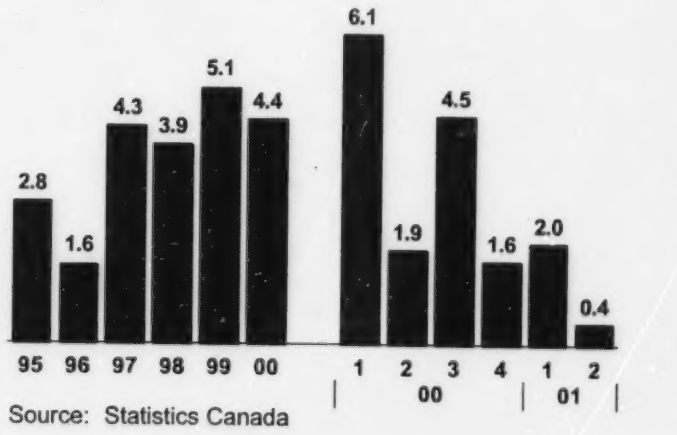
Output growth slows sharply in the second quarter...

Real GDP edged up a modest 0.4% (annual rate) in the second quarter of 2001, the slowest pace since 1995.

- **The production slowdown was due to weakening household demand and falling exports. However, business investment posted its first advance in four quarters.**

The economic outlook has deteriorated steadily this year. The consensus forecast now calls for growth of around 1.8% overall for 2001, compared to 3.4% last January.

Real GDP Growth



Source: Statistics Canada

...as consumer demand weakens...

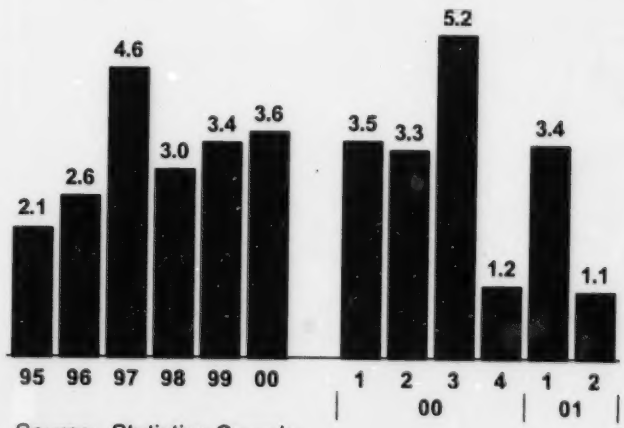
Consumer spending edged up 1.1% (annual rate) in the second quarter, slowing from a solid advance in the previous quarter.

- **While manufacturers' incentives continued to boost auto sales, mild spring weather resulted in lower expenditures on natural gas and other fuels.**

- **Although clothing expenditures advanced strongly, spending was little changed across a broad range of other goods and services.**

Real Consumer Expenditure Growth

% Change, SAAR



Source: Statistics Canada

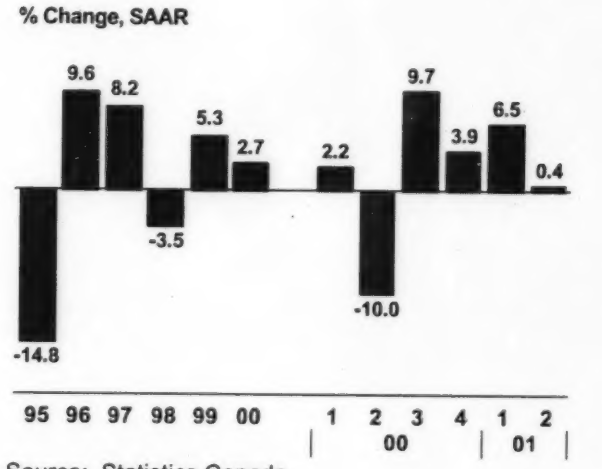
...the housing market cools...

Residential investment edged up marginally in the second quarter, ending a string of three solid quarterly advances.

- **Declining construction on new housing offset record sales of existing homes and increased renovation activity.**

A rebound in housing starts late in the quarter should boost construction in the next quarter.

Real Residential Construction Growth



Source: Statistics Canada

...and exports continue to fall

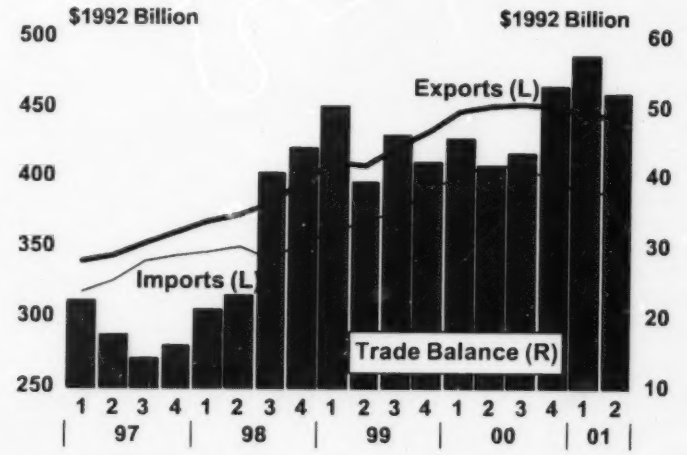
Exports of goods and services fell 3.1% (annual rate), the third consecutive decline.

- **Sharply-lower demand for telecommunications equipment contributed to the largest back-to-back decline in M&E exports in 18 years. However, automotive exports surged with stronger demand in the U.S. market.**

While exports were down, imports rose in the second quarter.

- **The modest increase was led by a stronger imports of Automotive Products.**

Real Exports and Imports of Goods & Services



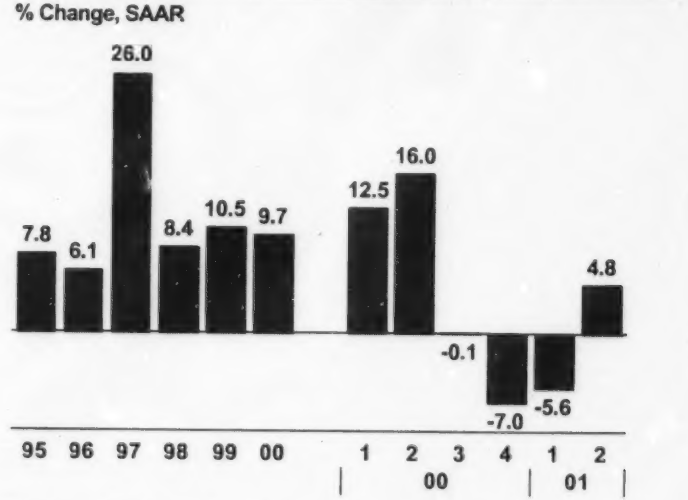
Source: Statistics Canada

However, investment in M&E rebounds....

Business investment in machinery and equipment (M&E) increased by nearly 5% (annual rate), following three consecutive quarterly declines.

- **Higher spending on automobiles and software were the major contributors to this rise. Purchases of computers, other office equipment and industrial machinery were down on the quarter.**

Real Machinery & Equipment Investment



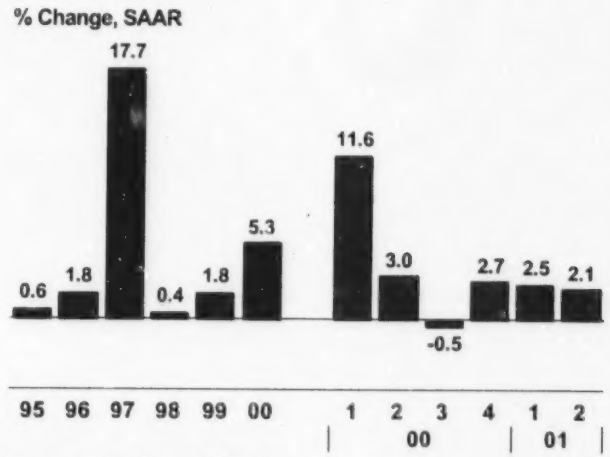
Source: Statistics Canada

...non-residential construction advances...

Non-residential construction activity increased for a third straight quarter, although at a slightly slower pace.

- **The slowdown was concentrated in the engineering component, which had been posting solid increases in recent quarters.**

Real Non-residential Construction Growth



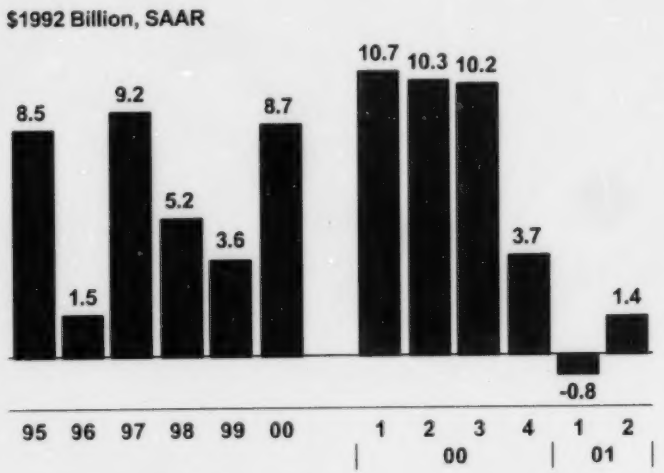
Source: Statistics Canada

...and inventory accumulation increases

After drawing down stocks in the first quarter of the year, businesses resumed their buildup of inventories in the second quarter. Nonetheless, investment this quarter was well below the large additions made in 2000.

- **Inventories were higher in Manufacturing, but on the Retail side auto inventories fell for the third straight quarter.**

Non-farm Business Inventory Investment



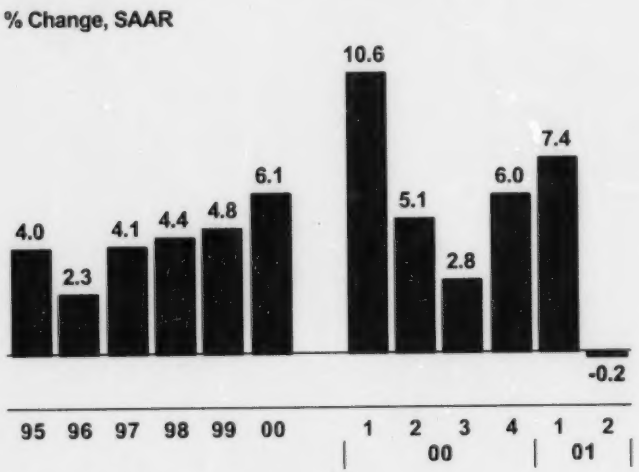
Source: Statistics Canada

Domestic Scene

Income Side

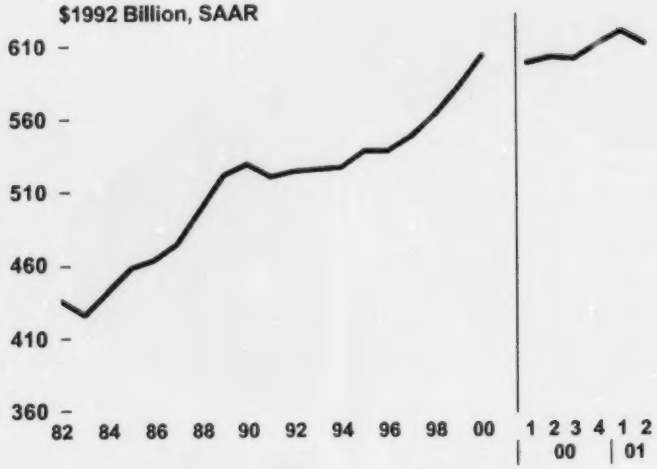
Incomes fall back following solid increases in previous periods...

Growth in Personal Income



Source: Statistics Canada

Real Personal Disposable Income*



*Converted to real dollars using the chain price index for personal expenditure on goods and services.
Source: Statistics Canada and Industry Canada

Personal income edged down 0.2% (annual rate) in the second quarter, after averaging increases of more than 6% in the previous five quarters. The decrease was due to a sharp drop in federal transfers, which had been boosted in the first quarter by a $1.5 billion payout for the relief of heating expenses. After adjusting for inflation, personal disposable income fell 5.6% on the quarter, offsetting a comparable gain in the previous period.

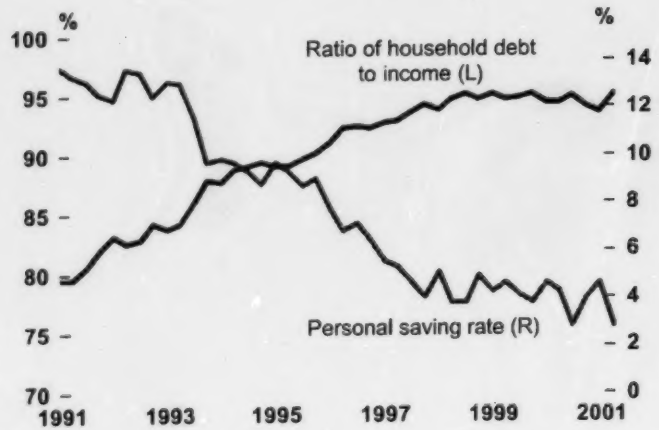
Reflecting weaker economic conditions, growth in labour income slowed to 1.9% in the second quarter, the smallest rise in five years.

...leading to weaker household finances

With declining incomes and higher spending, the personal saving rate fell to 2.8% in the second quarter. The household debt-to-income ratio rose to 95.1%.

- **However, upward pressure on debt-servicing costs will be mitigated by recent cuts in household lending rates.**

Personal Debt and Savings Rate



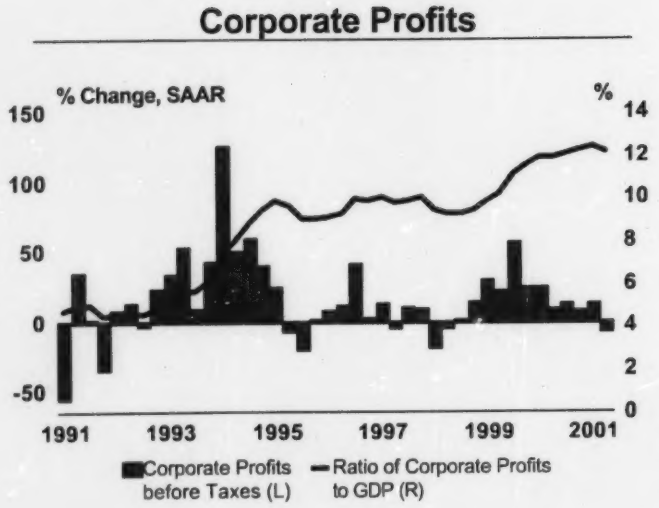
Source: Statistics Canada

Corporate profits retreat in the second quarter

Corporate profits fell 6.4% (annual rate) in the second quarter.

- **Continued weakness in export-oriented Manufacturing industries and lower energy prices were key factors behind the overall drop in corporate profits.**

As a percentage of GDP, corporate profits decreased slightly but still remained above 12%.



Source: Statistics Canada

Domestic Scene

Price Movements

Inflation falls from May's ten-year high...

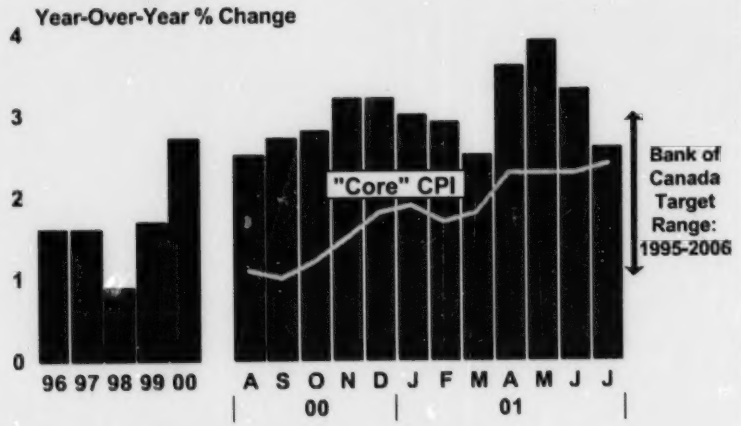
Consumer price inflation averaged 3.6% in the second quarter, up from 2.8% in the first quarter.

- **Sharply-higher prices for natural gas and gasoline prices were a driving force behind this rise. Higher transportation costs and poor weather conditions also pushed up food prices.**

After reaching a ten-year high of 3.9% in May, inflation has dropped in subsequent months, reaching 2.6% in July.

- **"Core" inflation – which excludes the most volatile components of the overall index and the impact of indirect taxes – was 2.4% in July, within the official 1-3% target range.**

Consumer Price Index



Source: Statistics Canada & Bank of Canada

In May, the Bank of Canada and Department of Finance extended the inflation target range out to the end of 2006. To sharpen the assessment of underlying trends for policy decisions, the definition of "core" inflation rate was also changed. The eight most volatile components of the index - fruit, vegetables, gasoline, fuel oil, natural gas, mortgage interest, inter-city transportation and tobacco products - as well as indirect taxes are all excluded in this new definition.

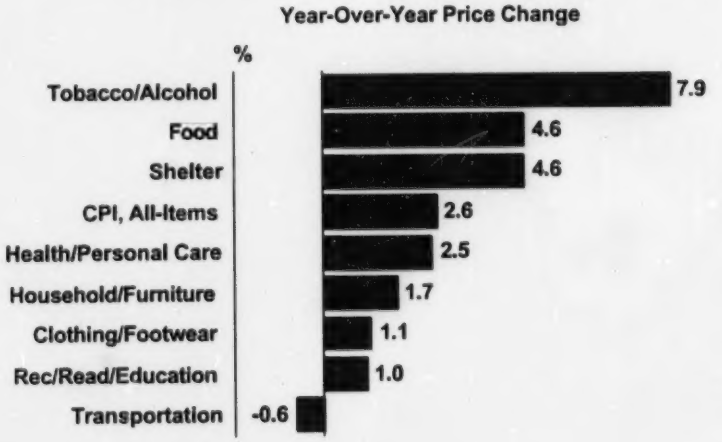
...as energy prices moderate in July

Energy prices were up 2.8% on a year-over-year basis in July, their smallest rise in two years. This accounted for only one-tenth of the overall rise in consumer prices, compared to roughly one-third in the preceding three months.

While weaker gasoline and natural gas prices exerted downward pressure, higher food prices accounted for almost one-third of the total rise. Other contributing factors were increased mortgage interest cost and rent, and higher prices for cigarettes and motor vehicles.

Lower costs for computer equipment and supplies had a dampening effect on inflation.

Components of CPI: July 2001



Source: Statistics Canada

Manufacturers face softening prices

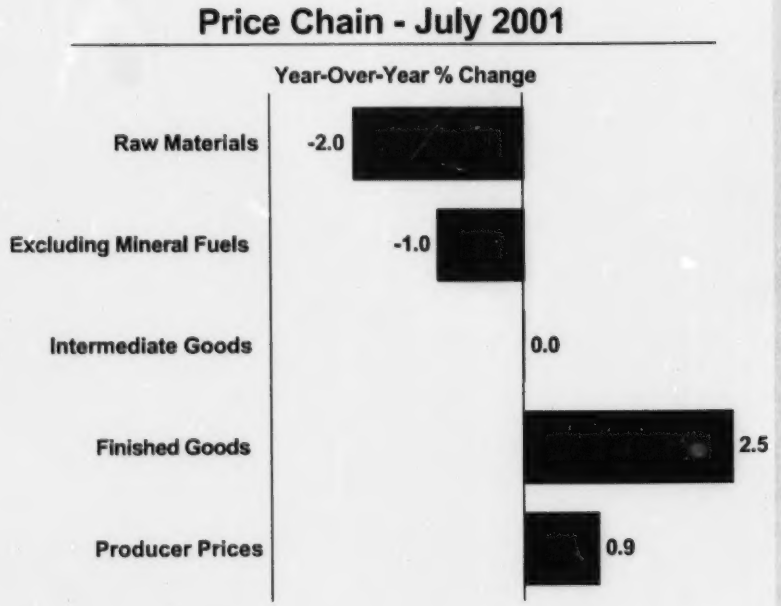
Industrial product prices – those received by producers at the factory gate – slowed to 0.9% in July on a year-over-year basis.

- **Price increases for motor vehicles, lumber and chemical products helped push manufacturers' prices higher.**

- **However, petroleum and coal product prices declined 6.8%. Lower prices for primary metal products also had a dampening effect.**

Since peaking in April, raw materials prices have trended lower, falling 2.0% in July on a year-over-year basis.

- **Excluding mineral fuel prices, which continue to impact strongly on the overall price level, raw materials prices were down by 1.0%.**



Source: Statistics Canada

Domestic Scene

Labour Situation

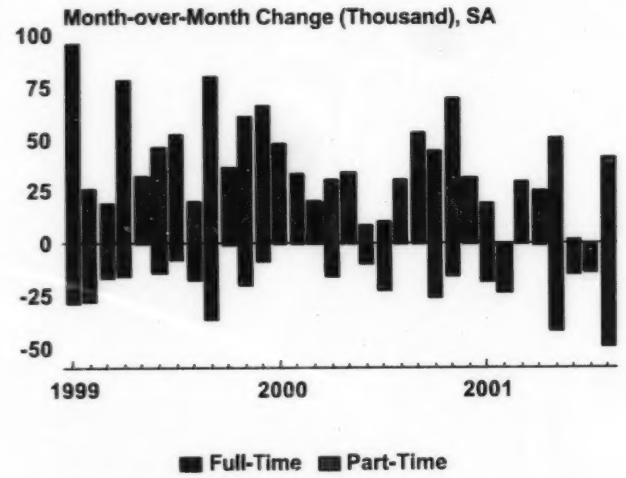
Job growth falters in mid-year...

Reflecting the slowing economy, the pace of job creation has weakened considerably this year.

- **Employment is up only 7,000 in the first eight months of 2001, compared to a solid gain of 325,000 for all of last year.**

This weakness has been particularly evident in the most recent months, with consecutive job losses totalling 35,000 in June, July and August.

Employment Growth



Source: Statistics Canada

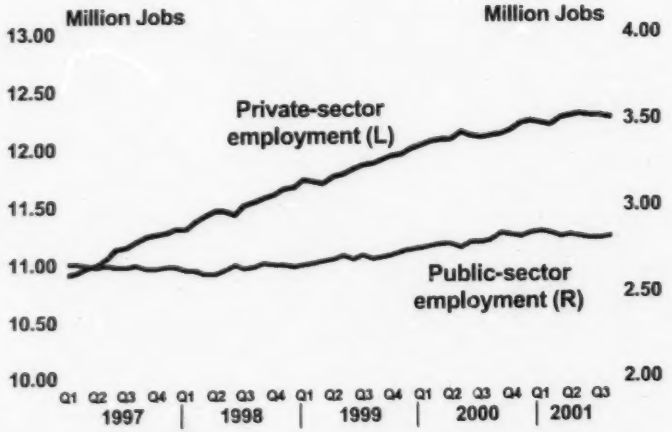
...reflecting job losses in the private sector...

The modest job gains in the first half of this year reflected gains in the private sector. Paid employment was higher, but the number of self-employed continued to fall, extending a downward trend that began last year.

In July and August, the first two months of the third quarter, private sector employment has fallen by roughly 30,000, offsetting over half of the gains recorded earlier in the year (54,000).

Following a solid gain last year, public sector employment is down 17,000 in the first eight months of 2001.

Employment: Private vs. Public



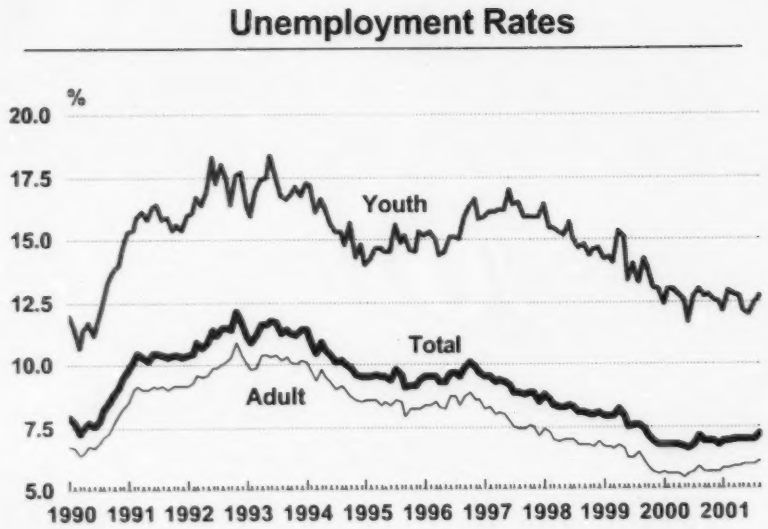
Source: Statistics Canada

Data for 2001Q3 extend to July and August only

...and leading to a higher unemployment rate in August

Canada's unemployment rate held steady at 7.0% from March through to July. Over this five month period, modest job gains or losses were matched by corresponding changes in the labour force, leaving unemployment little changed.

In August, however, the unemployment rate edged up to 7.2%, as the impact of lower employment was compounded by an increase in the number of job seekers.



Source: Statistics Canada

Job growth slows in most provinces...

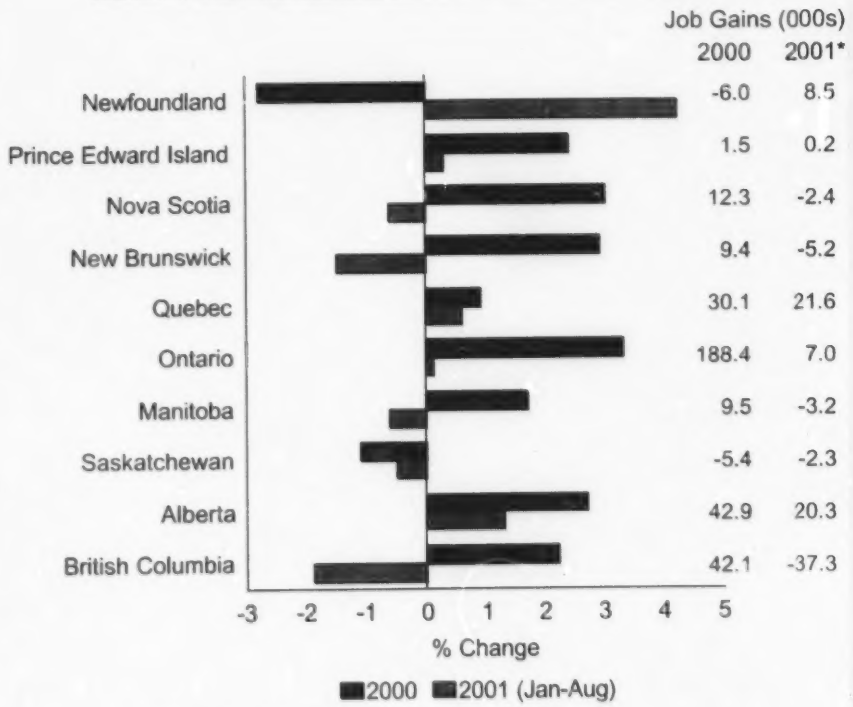
Newfoundland and Alberta have enjoyed the strongest employment growth thus far in 2001. In both cases, most of these gains have been made in the first half of the year.

Following strong growth last year, employment in Ontario is up only slightly this year. In Quebec, brief surges in employment early in the year and in August have offset declines in the second quarter.

Job losses in British Columbia reflect steady declines over the June to August period. Though employment is also down in Saskatchewan, this province has bucked the national trend by posting gains over the past three months.

Labour market conditions have been soft throughout the year in New Brunswick and Manitoba.

Employment Growth by Province, August 2001



*Figures for 2001 are year-to-date (Jan-Aug)
Source: Statistics Canada

...leading to higher unemployment rates

As of August, sluggish labour markets have resulted in higher unemployment in seven of ten provinces on a year-to-date basis.

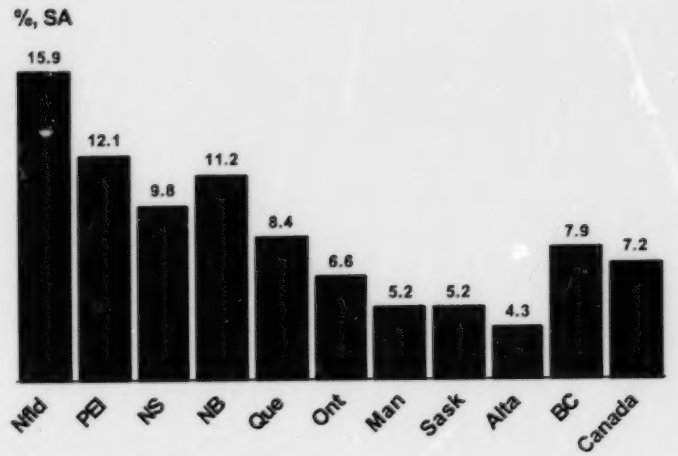
Only Newfoundland, Alberta and Saskatchewan have registered lower unemployment rates so far this year.

- **Solid job gains have lowered Newfoundland's rate by 1.8 percentage points from the end of last year. The unemployment rate in Alberta has fallen 0.5 points, reaching a twenty-year low of 4.3% in August. Despite year-to-date job losses, Saskatchewan's rate is also down slightly.**

Among those provinces registering higher unemployment rates on the year, the most notable increases have been in New Brunswick (+1.2 points), Nova Scotia (+0.8 points) and B.C (+0.8 points).

The Ontario unemployment rate is up 0.6 points, while that for both Quebec and Manitoba is 0.4 points higher. PEI's rate is up 0.2 points on the year.

Unemployment Rates: August 2001



Source: Statistics Canada

Domestic Scene

Financial Variables

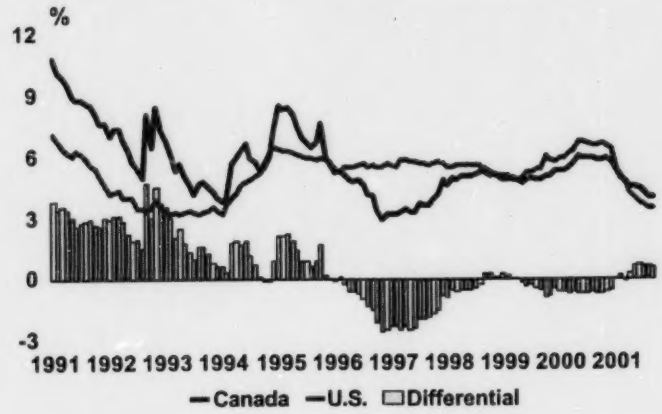
Further declines in short-term interest rates...

The Bank of Canada cut its target rate for overnight lending by 25 basis points to 4.0% on August 28. This brings the total reduction since January to 175 basis points.

- **Concerns over the domestic impact of ongoing weakness in the U.S. and signs of slowing demand at home triggered the Bank's action.**

Canadian short-term rates closed out August at 3.96%, nearly 60 points above U.S. rates. Canadian rates have been well above comparable U.S. rates for the past six months, as U.S. yields have fallen more sharply – 300 basis points since the end of last year.

Short-Term Interest Rates



Last data point plotted: September 5, 2001

Source: Bank of Canada, 90-day Commercial Paper, last Wednesday in the month

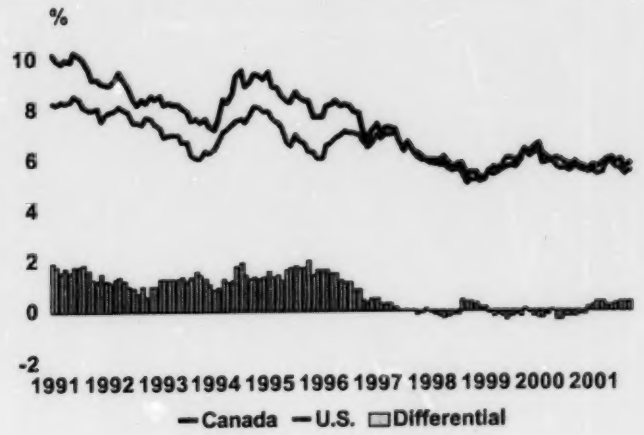
To facilitate international comparisons, the Bank of Canada has adopted its target for the Overnight Rate as its key policy rate. This is the rate at which major banks and financial institutions lend funds to each other on a very short-term or "overnight" basis for daily payment clearing and settlements.

...trigger a fall at the long end of the yield curve

Long-term yields dropped sharply in July and August, as investors turned away from volatile stock markets and toward the relative safety of fixed-income securities. Weakening economic conditions in North America and rising financial tensions in emerging markets raised expectations of further rate cuts and lower bond yields.

- **From just over 6% in mid-May, Canadian long-term rates fell to 5.7% in August.**

Long-Term Interest Rates



Last data point plotted: September 5, 2001

Source: Bank of Canada, Government long-term bond, last Wednesday in the month

The Canadian dollar loses momentum...

The Canadian dollar strengthened in the spring and early summer after falling to US¢63.3 in April. This rebound occurred as U.S. rates fell well below Canadian rates, reflecting the stronger state of the Canadian economy.

After climbing above US¢66 early in July, the Canadian dollar subsequently gave back most of these recent gains, closing at US¢63.8 on September 7.

- **The U.S. dollar strengthened against most major currencies with rising concern over the global economic outlook. The weakness of the Canadian dollar also stemmed from expectations that further cuts in domestic rates would be required.**

Canada-U.S. Exchange Rate

Last data point plotted: September 7, 2001

Source: Bank of Canada

...in line with faltering stock prices

North American equity markets continued to retreat in the face of the continued erosion of corporate profits. Reduced global demand and heightened competition have forced corporations to cut prices and lower future earnings forecasts.

- **Compared to its record high of 11,400 in September 2000, the Canadian benchmark TSE 300 has lost more than 30% of its value. Plunging values in the high-tech sector continue to weigh heavily on major indices at home and abroad.**

Stock Market Indices

Last data point plotted: September 7, 2001

Source: Statistics Canada

Domestic Scene

Fiscal Track

Federal finances on track for surplus despite the slowing economy

The federal government posted a budgetary surplus of $17.1 billion in the most recent 2000-01 fiscal year.

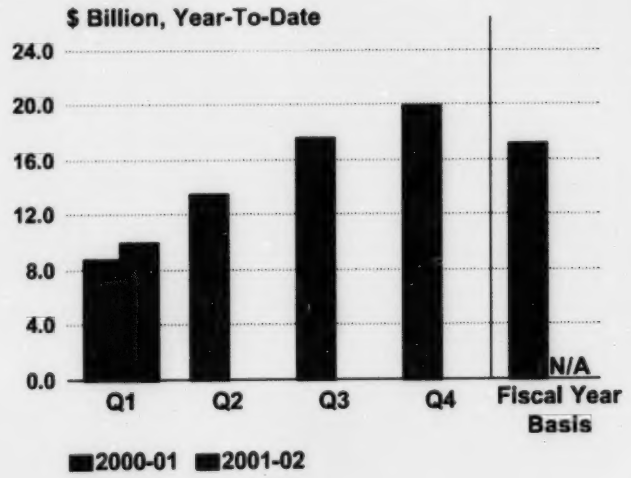
- **More than $30 billion in market debt has been retired over the past four years, lowering the debt-to-GDP ratio from a peak of 70.7% in 1995-96 to 51.8% last year.**

In the May Economic Update, the federal government reported that it would not fall back into deficit because of the economic slowdown.

- **Indeed, the surplus for the first quarter of fiscal year 2001-02 was $9.9 billion, up from $8.7 billion the previous year.**

Along with the federal government, seven provinces and one territory are expected to post balanced budgets or surpluses in 2001-02.

Federal Budgetary Balance



Source: Department of Finance

Domestic Scene

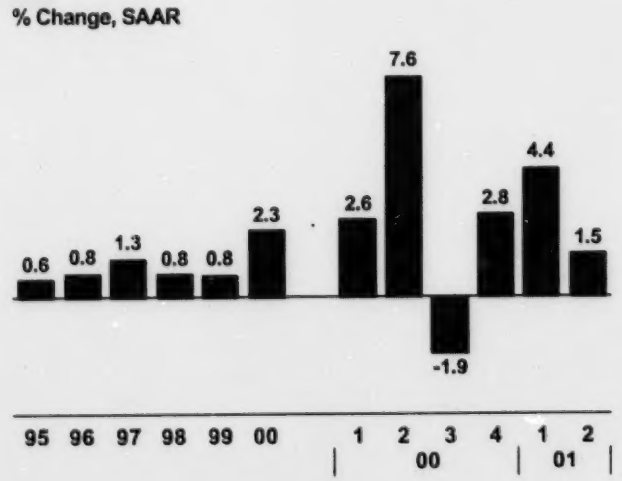
Competitiveness

Unit labour costs rise in the second quarter of 2001...

Unit labour costs increased 1.5% (annual rate) in the second quarter of 2001.

- **The total wage bill increased by 1.9%, exceeding the 0.4% rise in total output.**

Growth in Unit Labour Costs



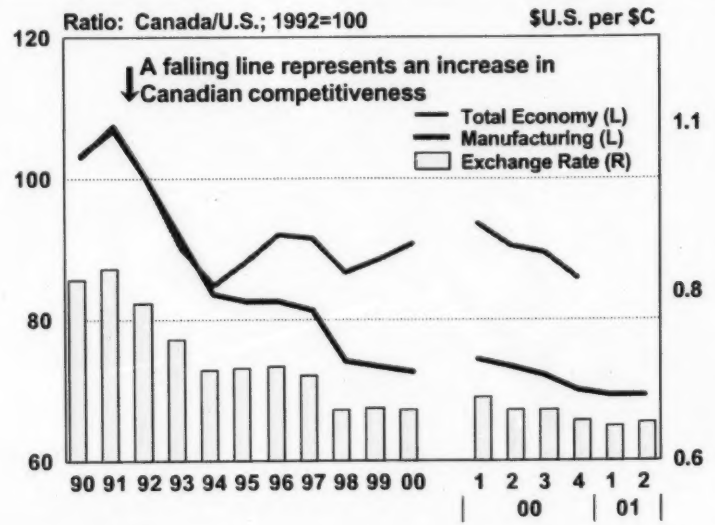
Source: Industry Canada calculations

...but Canada's cost competitiveness is little changed

The competitive position of Canadian firms relative to U.S. firms was little changed in the second quarter of 2001.

- **Unit labour costs rose moderately faster in the U.S. than in Canada, but this was offset by a stronger Canadian dollar.**

Unit Labour Cost Comparison ($US)



Note: Quarterly manufacturing ULC for 2001Q1 are not yet available.
Source: Industry Canada estimates based on data from the U.S. Bureau of Labor Statistics & Statistics Canada

Domestic Scene

International Accounts

Canada's current account surplus falls from a record high...

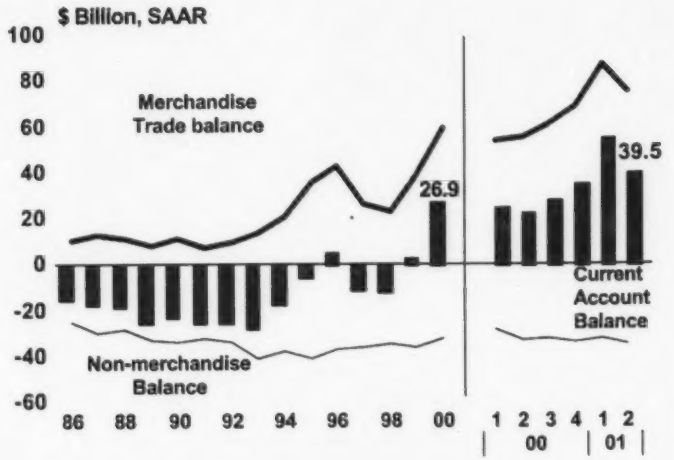
The current account surplus dropped to an annualized $39.5 billion in the second quarter of 2001, down from a record high in the first quarter. The second-quarter result is nonetheless the second highest surplus on record.

- **Lower revenues for natural gas and electricity exports reduced the merchandise trade surplus. A larger deficit on investment income also contributed to the smaller current account surplus.**

On the capital and financial account, Canadian direct investment abroad was strong in the second quarter. Foreign direct investment in Canada also surged, fuelled by acquisitions in the chemical and energy industries.

- **Canadians' investment in foreign equities remained robust, while foreign investors continued to increase their holdings of Canadian stocks and bonds.**

Current Account & Trade Balances



The merchandise trade balance represents net exports of goods.

The non-merchandise trade balance represents net exports of services plus net receipts of investment income and transfers.

Source: Statistics Canada

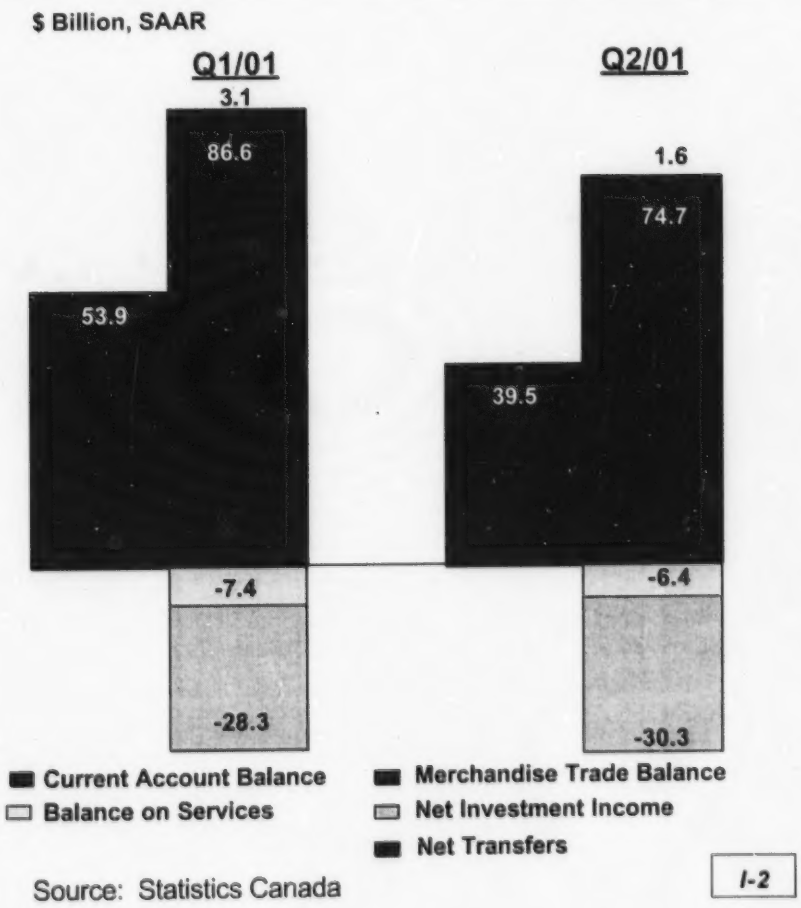
...but the surplus on trade in goods remains strong

The reduced current account surplus for the second quarter can be attributed mainly to a smaller merchandise trade surplus.

The goods surplus fell to $74.7 billion (annual rate) in the second quarter, down roughly $12 billion from the previous period but still at a relatively high level.

The deficit on investment income widened in the second quarter, while the deficit on services improved due to smaller deficits for travel and commercial services.

Main Components of the Current Account



Source: Statistics Canada

I-2

Energy Products drive export gains in the first half...

In nominal terms, merchandise exports totalled $220.7 billion in the first half of 2001, up 5.8% from a year ago.

- **Strong demand and higher prices for Energy Products, particularly electricity and natural gas, drove much of this increase.**

- **Exports of Automotive and Forestry Products were down in the first half. Within the M&E category, exports of aircraft have been quite strong, while sales of telecommunications and computer equipment are down sharply.**

Merchandise Exports, 2001Q2

	$ Billion	% Change, Jan-June/00 - Jan-June/01
Total	220.7	7.0
By Trade Partner		
U.S.	187.9	7.5
Japan	5.2	-0.4
E.U.	11.8	8.5
All Others	15.9	2.7
By Principal Commodity		
Agricultural & Fishing Products	15.3	13.5
Energy Products	37.1	61.8
Forestry Products	20.0	-6.0
Industrial Goods & Materials	33.6	3.3
Machinery & Equipment	52.1	0.8
Automotive Products	46.8	-6.1
Other Consumer Goods	8.0	11.7

Source: Statistics Canada

...and boost Canada's trade surplus

Merchandise imports were up only slightly in the first half of 2001 on a year-over-year basis. Lower imports of Automotive Products offset higher purchases of Energy Products and Agriculture & Fishing Products.

With exports outpacing imports in nominal terms, Canada's merchandise trade surplus was up sharply in the first half of the year.

- **A sharply higher surplus on trade in Energy Products was responsible for most of this increase.**

Merchandise Imports, 2001Q2

	$ Billion	% Change, Jan-June/00 - Jan-June/01
Total	180.4	0.7
By Trade Partner		
U.S.	132.0	-0.8
Japan	5.2	-10.3
E.U.	17.6	9.1
All Others	25.7	5.8
By Principal Commodity		
Agricultural & Fishing Products	10.0	11.0
Energy Products	10.1	21.6
Forestry Products	1.5	-2.9
Industrial Goods & Materials	35.4	0.9
Machinery & Equipment	59.0	-1.4
Automotive Products	36.1	-8.7
Other Consumer Goods	21.3	9.1

Balance by Trade Partner, 2001Q2

	$ Billion	Change ($Billion) Jan-June/00 - Jan-June/01
Total	40.3	13.2
U.S.	55.9	14.1
Japan	0.0	0.6
E.U.	-5.8	-0.5
All Others	-9.8	-1.0

Source: Statistics Canada

Domestic Scene

Sectoral Overview

Goods production is flat and Services activity slows...

Following declines in the previous two quarters, output in the Goods-Producing sector edged up an annualized 0.3% in the second quarter.

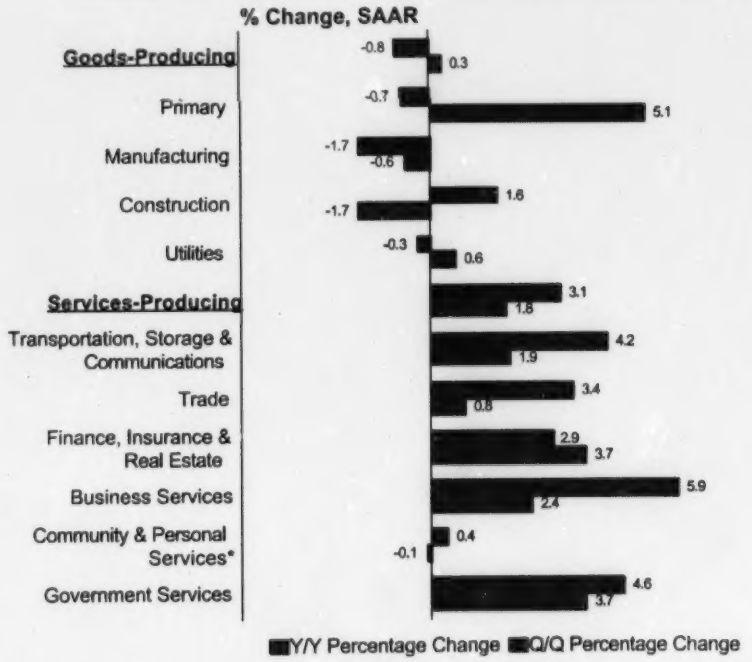
- **Manufacturing production dropped for the third straight quarter, as a rebound in the automotive industry was more than offset by the continuing slump in production of computers and telecommunications equipment.**

- **The Primary sector benefited from a surge in mining exploration, although this activity cooled late in the quarter.**

Services industries raised their output by 1.8% in the second quarter, a marked deceleration from the previous quarter.

- **Retail activity was boosted by auto sales, but weak demand for computers held back Wholesale Trade. Business Services posted its smallest rise in three years, while strikes in the Education and Health sectors also contributed to the slowdown.**

Real GDP Growth by Industry: 2001Q2



Source: Statistics Canada

*Education and Health & Social Services

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...as capacity utilization falls for the fourth straight quarter...

Capacity utilization fell 0.4 percentage points to 83.2% in the second quarter, the fourth consecutive quarterly decline.

In Manufacturing, capacity use dropped to 82.0%, its lowest level in five years.

- **The protracted weakness in demand for telecommunications equipment led to a 10.2 point drop for Electrical & Electronic Products, leaving capacity use nearly 30% below its recent peak. Rising U.S. demand boosted production in the Automotive sector, which moderated the overall decline in Manufacturing.**

Outside of Manufacturing, capacity utilization increased in Logging & Forestry as the North American housing market remained robust. Favourable market conditions and weather boosted exploration activity in the Mining industries, raising capacity utilization to a record high 97.2%.

Capacity Utilization: Non-farm Goods-producing Industries

	Level (%) 2001Q2	Change (% points) Q/Q	Y/Y	10-year Average
Total Non-Farm Goods-Producing	83.2	-0.4	-2.6	81.8
Logging & Forestry	83.2	2.3	-9.9	81.1
Mining & Quarrying	97.2	4.6	6.1	84.5
Crude Petroleum & Natural Gas	67.9	-1.2	-2.4	77.8
Manufacturing	82.0	-0.7	-3.9	81.9
Durable Goods Manufacturing	80.3	-1.5	-8.4	81.6
Wood	82.5	-0.1	-3.8	85.2
Primary Metals	87.2	0.9	-3.9	88.8
Fabricated Metals	77.9	-2.5	-7.1	78.0
Transportation Equipment	89.7	5.2	0.1	83.0
Electrical & Electronic Products	70.9	-10.2	-25.7	80.6
Non-Durable Goods Manufacturing	84.6	0.5	2.5	82.1
Food Products	84.0	1.8	2.8	80.4
Plastic Products	84.1	4.7	3.3	79.5
Paper & Allied Products	89.0	-1.4	-3.4	89.8
Printing & Publishing	79.5	-0.5	-1.2	79.7
Chemical & Chemical Products	87.8	-0.3	11.2	82.7
Construction	90.3	-0.8	-0.6	83.1
Electric Power & Gas	85.4	0.2	-0.6	82.5
Energy	77.0	-0.4	-1.3	80.5
Total Excluding Energy	84.5	-0.3	-2.8	82.2

Source: Statistics Canada

...and corporate operating profits remain weak

Corporate operating profits rose 0.6% overall in the second quarter, with advances in 18 of 24 broad industry groups. This marks the first increase in four quarters, but the advance was due entirely to a rebound in the Financial sector.

In the Non-Financial sector, profits were down 4.7% on the quarter, the largest decline in over three years. Lower prices in the oil and gas sector drove down profits in the Mineral Fuels industries. Manufacturers' operating profits fell for the fifth straight quarter, dragged down by weak demand for high-tech products.

Profits in the Financial sector rebounded in the second quarter, recovering some of the ground lost in the previous quarter. Results for investment funds soared due to gains on the sale of securities and other assets.

Corporate Operating Profits

	2001Q2 Level ($M)	Difference 01Q1-01Q2 ($M)	01Q1-01Q2 (%)	00Q2-01Q2 (%)
Total - All Industries	44688	267	0.6	-11.3
Total Non-Financial	32884	-1613	-4.7	-6.4
Agriculture, forestry, fishing & hunting	515	11	2.2	2.0
Mineral fuels	6162	-1767	-22.3	36.1
Mining except mineral fuels	829	159	23.7	-4.5
Utilities	761	313	69.9	49.5
Construction	815	72	9.7	-11.7
Manufacturing industries	9720	-1128	-10.4	-29.6
Wholesale trade industries	2207	64	3.0	11.7
Retail trade industries	2242	105	4.9	4.3
Transportation and warehousing	704	-37	-5.0	-58.6
Information and cultural industries	1926	52	2.8	7.0
Real estate, rental and leasing	2560	97	3.9	21.0
Professional/Scientific	504	56	12.5	162.5
Management of companies	1950	-117	-5.7	-18.7
Other services to business	1036	99	10.6	80.2
Education services	32	27	540.0	-15.8
Health care and social assistance	396	3	0.8	16.5
Arts, entertainment and recreation	71	-67	-48.6	14.5
Accommodation and food services	7	421	101.7	-97.6
Other services	445	22	5.2	25.4
Total Financial	11804	1880	18.9	-22.8
Depository credit intermediation	4330	398	10.1	20.4
Non-depository credit intermediation	1052	1	0.1	11.1
Insurers	931	-23	-2.4	-19.5
Funds and other financial vehicles	4348	1370	46.0	-47.3
Other financial intermediaries	1143	133	13.2	-14.6

Source: Statistics Canada

Job losses spread to Services...

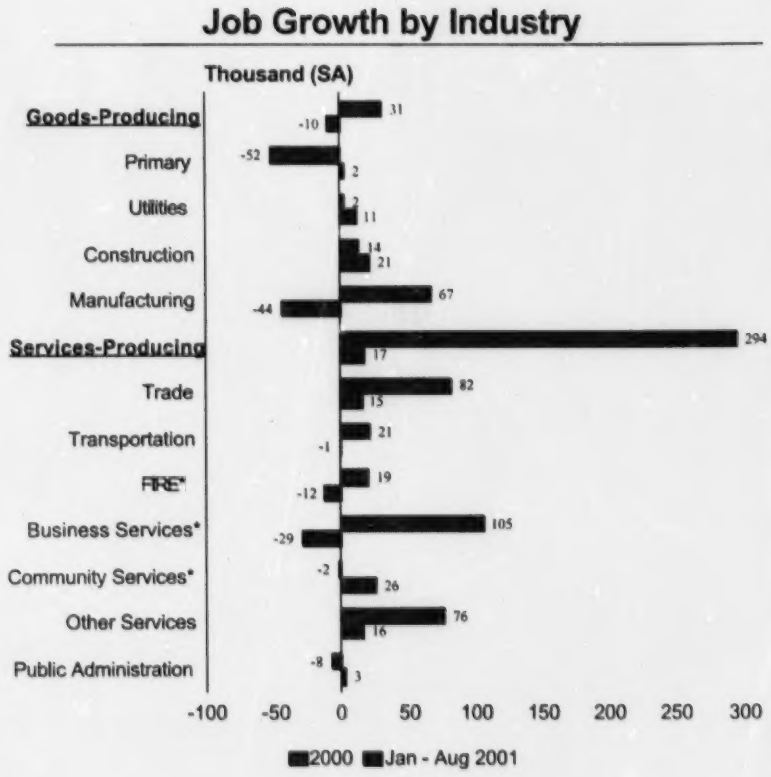
Employment in the Goods-producing industries is down 10,000 over the first eight months of 2001.

- **These losses have been concentrated in Manufacturing, where the year-to-date decline totals 44,000.**

In the Services-producing industries, 17,000 jobs have been created so far in 2001. This reflects gains early in the year, however, as 37,000 jobs have been lost in the last three months.

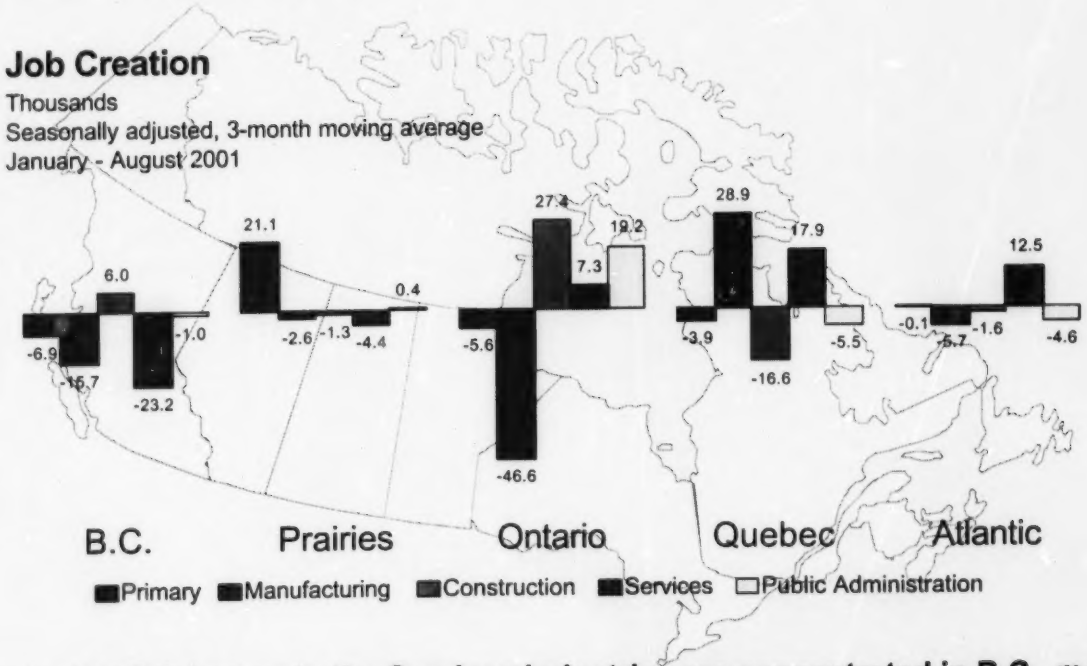
- **Lower employment in Business Services are due to losses in Professional, Scientific & Technical Services (in particular advertising and architectural & engineering services).**

- **The largest gains so far this year have been recorded in Community Services.**



*FIRE: Finance, Insurance, Real Estate and Leasing
Business Services: Management, Administrative, Professional, Scientific & Technical Services
Community Services: Educational Services, Health & Social Assistance.

...across most of Canada...



While year-to-date job losses in the Services industries are concentrated in B.C., most regions have posted declines in these industries in recent months. In Manufacturing, employment has fallen in every region of the country except Quebec.

The number of jobs in the Primary sector is up only in the Prairies, where gains have been driven by strong activity in the oil and gas sector. Gains in Construction employment have taken place mainly in Ontario and B.C.

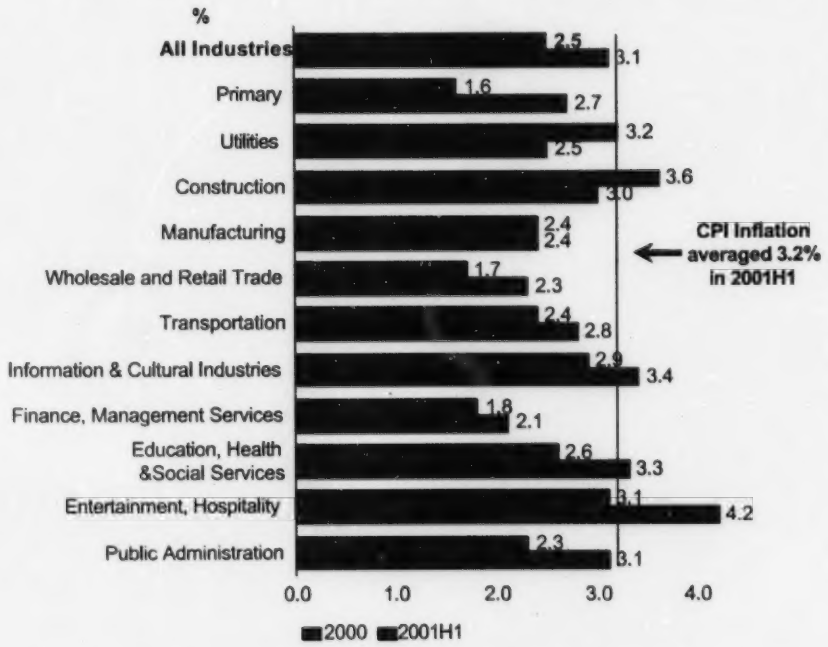
...but wage settlements are up for most industry groups

Wage settlements averaged 3.1% in the first six months of 2001, 0.6 percentage points higher than last year but in line with inflation.

- **Settlements in most major groups were up, with the exceptions of the Construction and Utilities industries.**

Public-sector wage settlement (+3.2%) outpaced those in the private sector (+2.8%) in the first half of the year. Since May 2000, increases in the public sector have generally been higher than the private sector, reversing the previous trend.

Wage Settlements by Industry



Effective average annual adjustments in base wage rates from major collective bargaining agreements. 2001 data cover agreements reached over the January to June period.

Source: Human Resources Development Canada

For Further Information

We welcome your questions, comments and suggestions? You can reach us by ...

sending us a letter:	Renée St-Jacques Director General Micro-Economic Policy Analysis Industry Canada 235 Queen Street Ottawa, Ontario K1A 0H5
e-mailing:	St-Jacques.Renee@ic.gc.ca
phoning:	(613) 954-3487
or faxing us at:	(613) 941-3859

The *Micro-Economic Monitor* is prepared on a quarterly basis by the Micro-Economic Policy Branch of Industry Canada. The Monitor provides a quick and easy-to-read update on Canada's economic performance. It also provides topical in-depth reports on current economic issues from a micro-economic perspective.

The current analysis update was prepared by Marianne Blais, Stéphane Crépeau, Anik Dufour, Joseph Macaluso, Arif Mahmud and Karen Smith, under the direction of Shane Williamson. Translation has been provided by Lucie Larocque, and Sue Hopf is responsible for administrative support.

ISSN 1206-260X